



STATE OF WASHINGTON

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May 6, 2002

TO: Agency Directors
Budget Officers

FROM: Marty Brown *MB*
Director

SUBJECT: 2003-05 Operating Budget Instructions

The magnitude of last year's budget shortfall and the related impacts on future biennia called for a different approach to developing the upcoming biennial budget. Last fall, we asked agencies to reprioritize their services and look for ways to restructure and refocus government to fit within available means. Under great pressure and time constraints, agencies identified cuts to valuable, but lower priority programs, in order to preserve essential state services.

We are not finished with this task. Early forecasts for next biennium indicate that the state will once again face a significant gap between resources and service demands. Recognizing this challenge, the 2003-05 budget instructions reflect Governor Locke's intent to build a budget that concentrates on core government functions. This means we are asking for more information about agencies' base level services, not just about the incremental changes that are being proposed.

Specifically, we need more detail about what services are delivered, who benefits, how much these services cost, and – most importantly – what results you expect to achieve. The budget instructions also call on you to prioritize your activities as higher, medium and lower priority, with at least one-third of the total agency expenditures in the lower priority category. This information is critical to our understanding of your agency's business. It also will serve as the means to analyze statewide functions and priorities. In the end, we think this approach will allow us to do a better job in arriving at budget decisions, and in explaining those decisions to the citizens of this state.

Budget pressures will put us all at risk of cuts in our maintenance level budgets. We ask that you be prepared to work with OFM analysts to identify cost-saving policy changes and lower-priority activities that can be cut or reshaped. It is also important to understand that the need to refocus services applies to all of state government – not just general fund activities.

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As you prepare new budget requests, work with the principles we outlined last fall:

- ## Define your most important, central missions
- ## Minimize impact on quality of life
- ## Maintain the social service safety net
- ## Maintain performance standards

In these instructions, you also will find the expectation that agencies pursue recognized financial management principles as part of their budget development strategy. OFM budget analysts will be talking to agencies about the application of best management practices, risk management strategies, and use of the state enterprise-wide view for information technology solutions. These strategies can help the state avoid significant costs, and OFM will ensure that agencies achieve all they can from these approaches before entertaining requests to maintain existing funding.

These are extraordinary times for Washington. Citizens across the state are coping with economic conditions that require them to rethink family budgets. The state should do no less. Our challenge is to match state governments highest priorities with available resources. In doing so, we not only meet our obligation to balance the budget, but also build a new foundation for state government that better serves the interests of its taxpayers now, and in years to come. Thank you for your help.

If you have any questions about these instructions please don't hesitate to contact your budget analyst, or Kay Baxstrom, at (360) 902-0566 (kay.baxstrom@ofm.wa.gov), or Lynne McGuire, at (360) 902-0581 (lynne.mcguire@ofm.wa.gov).